

AUDITS: PURPOSE, PREPARATION, AND RESULTS



REQUIRED AUDIT

- **Indiana Code 5-11-1-9**
Requires the State Examiner to examine all accounts and all financial affairs of every public entity

- **Federal Grant Agreements**
Federal grant agreements commonly call for an annual audit

GOALS OF AN ENGAGEMENT

Purpose of the Audit:

- To place an opinion on the financial statements of the county
 - Unmodified, or “clean” opinion, lets readers know the information is materially correct
 - Modified opinion lets readers know there are issues that need to be taken into consideration when it comes to the information presented

Reporting Noncompliance by:

- Finding within the Audit Report
- Management Letter
- Discussion only



COUNTY DEPARTMENT AUDITS

What departments are included in the audit of the county?

- All department within a county are subject to an audit

Are all departments audited every time?

- No

How are departments selected for audit?

- We determine which departments are material to the Financial Statements
- We review information submitted to our office
- We review the prior report
- Auditor Judgement



THE CLERK'S OFFICE HAS BEEN SELECTED FOR AUDIT!

(Most likely to be selected every audit)

AUDIT PROCESS

Getting Started:

- Identification of Risks
- Internal Controls
- Testing
 - ❖ Internal Controls
 - ❖ Substantive
 - ❖ Compliance



IDENTIFICATION OF RISKS

- Risks Associated with amounts reported on the Financial Statements
- How the Clerk's office Addressed Risks
- How Will Risk Impact Audit Procedures Performed



INTERNAL CONTROLS

- The field examiner assigned will need to determine what controls are in place throughout the office and whether they have been properly designed and implemented.
- This can be done through:
 - ❖ Inquiry with official and staff
 - ❖ Observation of the process
 - ❖ Inspection of documents
- Field examiner will communicate any deficiencies found
- Policies and Procedures that have been instituted will be tested to ensure that they are sufficient and are working as intended.



TESTING - SUBSTANTIVE

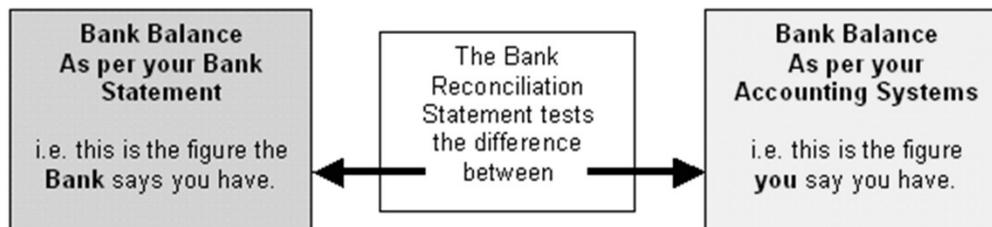
Financial Statements:

- Field Examiners will perform procedures to determine if financial statement information is materially correct. All Cash, Receipts, and Disbursements within the Clerk's Ledger should be represented on the Financial Statements
- ❖ All receipts, disbursements, and balances should be recorded in the Fee & Cash Book (Ledger).
- ❖ The Fee and & Cash book should be in agreement with the Clerk's Report of Collections and the receipts on the Auditor's Ledger (with the exception of the Trust account)

TESTING – SUBSTANTIVE Continued...

Cash – Bank Reconcilements:

- The ending bank balance should reconcile to the ending ledger balance for the department
- All reconciling items should have supporting documentation
- Reconciliations should be done monthly



TESTING – SUBSTANTIVE

Continued...



Receipts:

- Money was actually received and belongs to the county
- Properly recorded and for correct amount
- Recorded in the correct accounting period
- Recorded in the proper fund

Disbursements (includes Payroll):

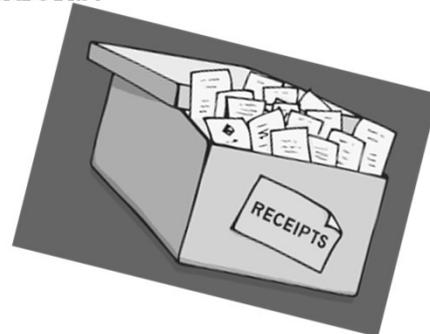
- Actual obligation belongs to the county
- Properly recorded and for correct amount
- Recorded in the correct accounting period
- Recorded in the proper fund

TESTING - COMPLIANCE

Field Examiners will perform procedures to determine that the county is in compliance with laws and regulations.

Receipts:

- Recorded in a timely manner
 - ❖ Posted Daily
 - ❖ Cash and Check Deposited Intact
- From an allowable source
 - ❖ Fee collected should agree to Statute
- Posted to correct fund
 - ❖ Fees turned over to Auditor monthly with the Report of Collections.



TESTING – COMPLIANCE Continued...

Disbursements:

- Recorded in a timely manner
- Appropriate party
- Approved by court



***Payroll is not audited as part of the Clerk's Audit but is apart of the overall County Audit.

FEDERAL GRANTS

- If your county has qualified for a federal audit the field examiners may have additional information they need.
- IV-D Child Support Enforcement is the grant most likely to audited for your office. Here are a few things to keep together for the field examiners if determined to be a major program:
 - ❖ Monthly Expenditure Claims
 - ❖ Quarterly Incentive Expense Forms
 - ❖ List of Employees paid from IV-D funds
 - ❖ Time Records for all IV-D employees
 - ❖ Cooperative Agreement Annual Budget Addendum
 - ❖ Inventory / Equipment Lists
 - ❖ Incentive Policies

ITEMS / RECORDS NEEDED FOR AUDIT



- Departments Financial Ledger, includes receipts, disbursements, and balances
- Bank Statements and Reconcilements
- Report of Collections
- Claims / Receipts / Supporting Documentation
- Policies & Procedure – Including Internal Control
- Supplement Annual Financial Reports
- Federal Grant Documents

SUBSEQUENT EVENTS

What Happened After The Audit Period:

- Change in Financial Situation
- Lawsuits
- Any Other Situations with Material Impact



CONCLUDING FIELDWORK



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF MORGAN COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of Morgan County (County), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1.4). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Determine Opinions

CONCLUDING FIELDWORK Continued...

- **Compiling Findings:**
 - 1) **Section II** – Findings related to the financial statements
 - 2) **Section III** – Findings related to a major program
 - 3) **Audit Results and Comments** – Significant Noncompliance with statute or an SBOA uniform compliance guideline
 - 4) **Management Letter** – Not significant noncompliance with statute or an SBOA uniform compliance guideline – Not public
 - 5) **Discussion Only** – Immaterial noncompliance with statute or an SBOA uniform compliance guideline – Not public

AUDIT CONCLUSION

Communication:

- Field Examiners will discuss any issues throughout the audit process
- No surprises at Exit



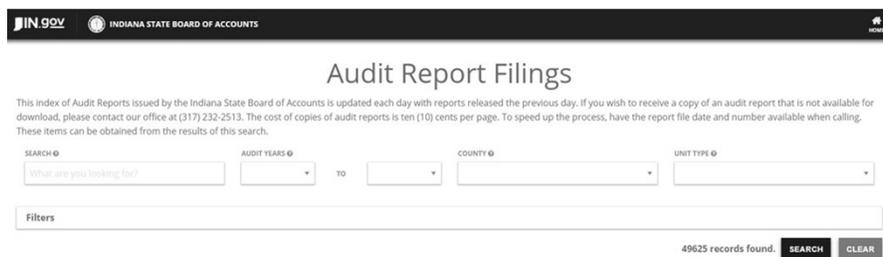
AUDIT CONCLUSION – EXIT CONFERENCE



- Field Examiners will discuss any issues found that will be In the Audit Report
- Commissioners and Council will also be informed of issues
- An official response can be made to appear in the report as well

AUDIT REPORTS

- Audit Reports are sent to:
 - ❖ Current and Prior Official(s) examined
 - ❖ President of governing board
 - ❖ Other requested officials
- Audit Reports are posted to our website:
 - ❖ <https://secure.in.gov/apps/sboa/audit-reports/#/>



IN.gov INDIANA STATE BOARD OF ACCOUNTS

Audit Report Filings

This index of Audit Reports issued by the Indiana State Board of Accounts is updated each day with reports released the previous day. If you wish to receive a copy of an audit report that is not available for download, please contact our office at (317) 232-2513. The cost of copies of audit reports is ten (10) cents per page. To speed up the process, have the report file date and number available when calling. These items can be obtained from the results of this search.

SEARCH AUDIT YEARS TO COUNTY UNIT TYPE

Filters

49625 records found.



QUESTIONS